

Message Text

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PAGE 01 BONN 05833 101721Z

73

ACTION EUR-12

INFO OCT-01 NEA-09 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02

INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01

OES-03 SP-02 SS-15 STR-04 TRSE-00 FRB-03 PA-01

USIA-06 PRS-01 /104 W

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R 101711Z APR 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 9303

INFO AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY COPENHAGEN

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY DUBLIN

AMEMBASSY TEHRAN

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION USBERLIN

AMCONSUL STUTTGART

AMCONSUL MUNICH

AMCONSUL HAMBURG

AMCONSUL DUSSELDORF

AMCONSUL BREMEN

AMCONSUL FRANKFURT

C O N F I D E N T I A L BONN 05833

E.O. 11652: GDS

TAGS: EINV, ENRG, EFIN, IR, GW

SUBJECT: IRANIAN INVESTMENT IN GERMAN BABCOCK

AND WILCOX

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PAGE 02 BONN 05833 101721Z

REF: BONN 3476

1. GERMAN PRESS OF APRIL 10 CARRIED DETAILS OF TRANSACTION INVOLVING A LETTER OF INTENT TO PURCHASE BY IRANIAN GOVERNMENT OF 25.02 PERCENT OF SHARES OF GERMAN BABCOCK AND WILCOX (BW) FROM PREVIOUS HOLDER, THE BRITISH BABCOCK AND WILCOX LTD. THE PURCHASE PRICE IS SAID TO BE DM 178.3 MILLION. GERMAN, BW, A MAJOR PRODUCER OF POWER PLANT EQUIPMENT (BOILERS) AND OTHER INDUSTRIAL MACHINERY EXPECTS A SALES VOLUME FOR THE 1974/75 FISCAL YEAR OF ABOUT DM 3.4 BILLION.

2. SIMULTANEOUSLY WITH ABOVE ANNOUNCEMENT, ANOTHER LETTER OF INTENT WAS ANNOUNCED, BETWEEN IRAN AND THE CONSORTIUM OF BW AND GERMAN BROWN-BOVERI, WHEREBY THE CONSORTIUM WOULD GET THE CONTRACT TO CONSTRUCT A 1760 MEGAWATT IRANIAN POWER PLANT AT NEKA ON THE CASPIAN SEA. GERMAN BW VIEWS THE IRANIAN EQUITY PARTICIPATION AS OPENING BROAD VISTAS FOR INDUSTRIAL COOPERATION BOTH IN IRAN AND IN THIRD MARKETS AND FOR OBTAINING FROM IRAN NEEDED FINANCIAL RESOURCES FOR BW'S BROADER EXPANSION AND DIVERSIFICATION PLANS.

3. COMMENT: EMBASSY CONTACTED ECONMINISTRY DEPUTY ASSTSEC MUELLER-THUNS FOR AN OFFICIAL REACTION TO THE BW-IRANIAN TRANSACTION. IN RESPONSE TO A DIRECT QUESTION, MUELLER-THUNS SAID THAT THE NEWS OF THE TRANSACTION DID NOT TAKE THE MINISTRY BY SURPRISE, IMPLYING THAT THE PRIVATE SECTOR'S VOLUNTARY MONITORING PROCEDURE WAS FUNCTIONING SATISFACTORILY. FURTHER, MUELLER-THUNS SAID, THE FRG GOVERNMENT "WAS NOT UPSET" BY THIS LATEST SIGNIFICANT PETRODOLLAR INVESTMENT IN A MAJOR GERMAN ENTERPRISE, SINCE IT INVOLVED "MERELY A TRANSFER FROM ONE FOREIGN INVESTOR TO ANOTHER". ANY OBJECTION OR ATTEMPT AT INTERDICTION OF THE TRANSFER WOULD HAVE PROVOKED THE CHARGE OF DISCRIMINATION. THESE VIEWS ARE CONFIDENTIAL
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PAGE 03 BONN 05833 101721Z

ECHOED IN PRESS COMMENTARIES, ALTHOUGH AN UNDERCURRENT OF UNEASINESS CAN BE DETECTED, AS IS SUMMED UP BY THE FRANKFURTER ALLGEMEINE ZEITUNG-- "ALTHOUGH EVERYTHING FALLS LOGICALLY INTO PLACE, A RESIDUE OF DISCOMFORT REMAINS".
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